

A nonprofit organization formed for the purpose of providing television reception for the community as a whole by the process of retransmitting television signals in an area not adaptable to ordinary reception is entitled to exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954 as an organization operated exclusively for the promotion of social welfare.

Revenue Ruling 54-394, C.B. 1954-2, 131, and Revenue Ruling 55-716, C.B. 1955-2, 263, distinguished.

Advice has been requested whether, under the circumstances described herein, an organization which provides television reception in an area not adaptable to ordinary reception is entitled to exemption from Federal income tax as an organization described in section 501(c)(4) of the Internal Revenue Code of 1954.

The organization in question was incorporated under state law, without capital stock, as a nonprofit corporation. Its purposes are to construct and maintain a translator, or reflector-type television station, capable of receiving signals of television stations and reproducing such signals so that satisfactory television reception may be available to the community in general.

Membership is available to all persons in the area. The income of the association is derived from membership fees and donations. Its disbursements are made for the maintenance and operation of the television relay station.

The reflector-type equipment operated by the station receives signals from three television stations and retransmits these signals into the community. This activity is distinguishable from that of a community-antenna-type system which operates upon a closed circuit, in which impulses are transmitted by cable. Users of a community antenna system are required to tap into a cable to receive the transmitted impulses. On the other hand, the signals retransmitted by the reflector-type apparatus are available to any television receiver in the community.

Section 501(c)(4) of the Code provides, in part, for the exemption of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. See section 1.501(c)(4)-1 of the Income Tax Regulations.

In Revenue Ruling 54-394, C.B. 1954-2, 131, it is held that an organization would be denied exemption as a civic league if its only activity was to provide television reception on a cooperative basis to its members who paid for such services. Such an organization is held to be operating for the benefit of its members.

Revenue Ruling 55-716, C.B. 1955-2, 263, holds that an organization which furnishes television antenna service to its members in their homes, upon payment of a stipulated membership fee and a monthly charge for maintenance of the antenna, is not entitled to exemption from Federal income tax under section 501(c)(7) of the Code as a club organized exclusively for pleasure, recreation, and other non-profitable purposes. The basis for denial in that ruling is that such an organization does not possess the elements of personal contact and fellowship which are characteristic of a club.

The circumstances in this case are distinguishable from those stated in Revenue Ruling 54-394 and Revenue Ruling 55-716.

In both of those Revenue Rulings, the facts make it apparent that the television services are available only to members of the organization under consideration and then only pursuant to a contract requiring the payment of membership fees and monthly maintenance charges.

The instant organization operates its system for the benefit of all television owners in the community. It retransmits television signals for the benefit of the entire community. Memberships and contributions are obtained by the organization on a voluntary basis.

Therefore, the organization is held to be entitled to exemption from Federal income tax as an organization of the type described in section 501(c)(4) of the Code.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(4) of the Code, file an application on Form 1024 Exemption Application, with the District Director of Internal Revenue for the Internal Revenue District in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.